

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7000

BILL NUMBER: HB 1321

NOTE PREPARED: Jan 8, 2012

BILL AMENDED:

SUBJECT: School Corporation Accountability.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Spending Analysis: The bill requires the State Board of Education (State Board) to develop and perform an annual analysis showing how school corporation spending correlates to student progress. It requires the Department of Education to include a copy of the annual analysis on the Department's Internet web site.

State Board Action: The bill requires a governing body of a school corporation in the first year that the school corporation is placed in the lowest two categories or designations of improvement to hold a public hearing. It requires the governing body to revise a school's strategic and continuous school improvement plan.

The bill requires a State Board to assign an expert team to review a school corporation in the second year that the school corporation is placed in the lowest two categories or designations of improvement. It requires the State Board to hold a public meeting to consider state intervention in the third year that the school corporation is placed in the lowest category or designation of improvement.

This bill also requires the state board to hold a public meeting to consider state intervention in the fourth year that the school corporation is placed in the lowest two categories or designations of improvement. It provides that after the public meeting, the state board may: (1) merge the school corporation with a nearby school corporation; (2) assign a special management team or lead partner to operate all or part of the school corporation; (3) implement the department's recommendations for improving the school corporation; (4) dissolve the governing board of the school corporation and install a state appointed board; (5) transfer the school corporation's authority to another entity; (6) require state board approval of the school corporation's annual budget; or (7) implement other options for school corporation intervention. The bill makes conforming amendments.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *Summary:*

(1) *Spending Analysis:* The State Board may have to contract with an individual who has experience in advanced statistical techniques. Funding for research projects is included in the current budget (\$3.7 M) for the State Board but it is not known at this time if sufficient funds would be reserved for a project of this complexity. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

(2) *State Board Action:* According to the Department of Education, the bill's requirements are within the Department's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels. Based on the 2011 data, under this provision, a total of 54 out of 292 school corporations would have been eligible for initial intervention by the State Board.

Additional Information:

Spending Analysis: This bill requires the State Board of Education to develop and perform an annual analysis on the relationship between school corporation spending and student progress. The analysis must also identify school corporations who are particularly effective in utilizing their resources to contribute to high academic performance. It requires the Department of Education to include a copy of the annual analysis on the department's web site.

State Board Action: Current law places Indiana schools into one of five categories based upon student performance and improvement data from the state's ISTEP+ assessments in Grades 3 – 8, and End of Course Assessments in Algebra I and English 10. The five categories are: Exemplary Progress - A; Commendable Progress - B; Academic Progress - C; Academic Watch (priority) - D; Academic Probation (high priority) - F.

This bill applies to all school corporations. It does not replace current law, but it follows (with a few changes) a probationary process similar to current law (see *Background Information*). The following are the major changes:

a. Although this bill applies to school corporations, current law would still apply to individual schools. Current law applies to schools whose performance evaluation places them in the lowest performing category (Academic Probation). Except in one instance, this bill applies to school corporations in the two lowest performance categories (Academic Watch and Academic Probation). The exception occurs three years after the initial placement on probation. The corporation must be placed in the Academic Probation category in order to trigger intervention by the State Board.

b. In the first year that the corporation is placed in one of the two lowest categories, the actions taken by the school corporation under this bill generally mirrors that taken by the corporation under current law. The one major difference is that under current law, if the school corporation requests the state board to appoint an expert team to assist in the development of a new school improvement plan, the school would forfeit three years in which to improve. Under this bill, this penalty would not apply to the corporation.

c. The length of time for the probationary process has been reduced from six years total to five, and

sometimes it could even be reduced to four years. For example, under current law the State Board has to appoint an expert team after the school has placed in the Academic Probation category for four straight years; under this bill, the team would be appointed after the corporation has placed in the lowest or second lowest category for three years, one year less.

Under current law, the State Board could merge the school, close it or restructure it as a turn-around academy only after the school has been in lowest category for six straight years. Under this bill, State Board could take these steps (except closing) for a school corporation as early as the fourth year. If the corporation is in its fifth year on probation, then these options remain open to the State Board. As a result, schools in these corporations may have one less year and sometimes two fewer years in which to improve.

The bill also provides a few other options for the State Board if the corporation has been on probation for four or five years. It can dissolve the governing board of the school corporation and install a state appointed board, transfer the school corporation's authority to another entity or require State Board approval of the school corporation's annual budget.

d. Under this bill, the State Board has to appoint an expert team to assist the school corporation if it has been in one of the lowest two categories for two straight years after the initial placement. Additionally, the bill stipulates that once an expert team has become active, it would remain active until the school corporation has achieved one of the top three ratings (Exemplary Progress, Commendable Progress, Academic Progress) for two consecutive years. If, however, the school corporation is placed in the lowest category, the expert team would be disbanded and school merged, closed or managed as a turn around academy.

Background Information - State Board Action:

Current law applies to individual schools. When a school's academic performance places it in the lowest category (Academic Probation), the probationary process begins and it could last a total of six years including the year the school was initially placed in the Academic Probation category. Further ratings of Academic Probation in the next three years after the initial placement in this category, and also for the next two years after (i.e. five years after the initial placement) may lead to some type of automatic intervention by the State Board.

If the school is still in the lowest category after four years, the State Board has to assign an expert team to the school to assist the school in revising its strategic and continuous school improvement plan and recommend other changes as necessary. However, the governing body of the school corporation may also petition the State Board to immediately restructure the school into a turn-around academy which would be managed by a special management team.

If the school corporation does not apply to have the school restructured as a turn-around academy, and the school receives a rating of Academic Probation for two more years, the State Board (after holding a public hearing) has the option of merging the school with a better performing school, closing the school, appointing a special management team to manage the school as a turn-around academy, or implementing another plan. However, unless the school is merged or closed, it will become a turn-around academy.

Explanation of State Revenues:

Explanation of Local Expenditures: See also *Explanation of State Expenditures*. Under this bill and current law, a school may face one of the following impacts depending on the performance category of the school and

its parent corporation. The specific impact would depend on how long the school and/or its parent corporation have been performing poorly, and the remedial actions taken by the State Board. The impact is indeterminable at this time but indications are that the bill's requirements should be able to be implemented with no additional appropriations, staffing or resource levels. The following are the potential impacts:

a. A School in the Academic Probation Category: As a minimum current law applies to this school whether the parent corporation is on probation or not. There may also be an impact because of this bill. Under this bill, if the parent corporation is not on probation then only the impact of current law applies. On the other hand, if the parent corporation is also on probation then state intervention at the corporate level may add to the impact of current law.

b. A School in the Academic Watch or Higher Category: Current law does not apply to this school. However, there may be an impact because of this bill. Under this bill, if the parent corporation is not on probation then the total impact is minimal. On the other hand, if the parent corporation is on probation then the state intervention at the corporate level may cause some impact.

c. Probationary Period: The third potential impact that schools may experience under this bill is that any potential impact may occur one and sometimes two years sooner than under current law. For example, assume that a school and its parent corporation are in the Academic Probation Category, and this would eventually lead both to be restructured as a turn around academy. Under current law, the probation process would last a total of six years for the school; under this bill, it would last a maximum of five years and it could last only four years.

Background Information: Based on 2011 school performance data, there are seven (7) school corporations in the Academic Probation category and 47 corporations in the Academic Watch category. At the school level, there are 111 out of 1,842 schools in the Academic Probation category. Whether a school corporation becomes subject to this bill would eventually depend on how many of its schools are in the Academic Watch or Academic Probation categories. In 2011, for example, of the 62 schools in the Indianapolis Public School district, 24 were placed in the Academic Probation category, eight (8) in Academic Watch, 21 in Academic Progress, and nine (9) in Exemplary Progress; half of its schools were in the two lowest categories. Six of its schools are in their sixth year of probation under current law.

Explanation of Local Revenues:

State Agencies Affected: State Board of Education; Department of Education.

Local Agencies Affected: School Corporations

Information Sources: Department of Education Website, <http://www.doe.in.gov/pl221/>; Ashley Gibson, Department of Education, 317-232-6618.

Fiscal Analyst: David Lusan, 317-232-9592.